

SCHEME GUIDE

FOR TRANSFERRING POLICYHOLDERS INVESTING IN UNIT LINKED FUNDS

TRANSFERRING AXA WEALTH LIMITED
POLICIES TO PHOENIX LIFE LIMITED

August 2017

**If you would like this information in large print,
Braille or audio please call us on 0808 164 2266.**

1. INTRODUCTION

This guide summarises our proposals to transfer all policies of AXA Wealth Limited (AWL) to Phoenix Life Limited (PLL). We refer to these proposals as 'the Scheme'.

This guide is for transferring policyholders with policies invested in unit linked funds and Retirement Wealth Account policyholders who may invest in other assets: there are separate guides for transferring policyholders with policies branded as SunLife and for PLL policyholders.

AWL and PLL are both part of the Phoenix Group of companies.

In this guide you will find:

- information about the Scheme and how it affects you (section 3);
- details on how to raise any concerns you may have about the Scheme (section 4); and
- a summary of a report by an Independent Expert that considers how policyholders' interests may be affected by the Scheme (section 6).

2. THE PROCESS WE ARE FOLLOWING

AWL and PLL have applied to the High Court for permission to transfer all AWL policies to PLL. The High Court will only give permission if it is satisfied that all the necessary legal requirements have been met and that the proposals treat policyholders appropriately.

We expect the hearing to be held at the High Court of Justice of England and Wales, 7 Rolls Building, Fetter Lane, London EC4A 1NL on 21 November 2017. If the High Court approves the Scheme, we expect the transfer to take place on 8 December 2017 (the transfer date).

An Independent Expert, Oliver Gillespie, who is a partner at Milliman LLP and whose appointment has been approved by the Prudential Regulation Authority (PRA), has written a report providing detailed independent, expert opinion on how the proposals are likely to affect policyholders. This report, which has been reviewed by our regulators, the PRA and the Financial Conduct Authority (FCA), will help the High Court reach their decision. You can find a summary of this report in section 6 of this guide. The report says that, overall, the Scheme will not have a material adverse impact on either the security of policyholders' benefits or what policyholders can reasonably expect their benefits to be.

For policyholders resident in the Bailiwick of Guernsey there will be a separate scheme, details of which are provided in the letter accompanying this guide.

AWL also has a small number of policyholders who are resident in Jersey and in the Isle of Man. These policies will be subject to the terms of the Scheme if it is approved by the High Court.

3. WHAT THIS MEANS FOR YOU

If the Scheme goes ahead, your policy will transfer to PLL. You will then become a policyholder of PLL and PLL will be responsible for your policy.

You will keep the same policy number, your policy will continue to operate as before and the level of service you receive will be maintained.

The Scheme will not affect your policy terms and conditions, your policy benefits or the amount of premium that you pay.

You will continue to be able to invest in the same funds or assets as now. The Scheme will not affect the way the unit linked funds are managed and invested; they will have the same charges and will be priced in the same way.

The proposed transfer will maintain financial security for your policy as it will be covered by the PLL capital policy, under which PLL plans to hold more capital than the minimum required under current legislation. The aim is to ensure that PLL can withstand extreme financial conditions. The Independent Expert has considered the effect of the Scheme on the security of AWL policyholders. His conclusions are set out in section 6.

If you are a member of a group pension scheme for which AWL is the scheme administrator, PLL will become the scheme administrator in place of AWL.

If your policy entitles you to take out a new, additional or replacement policy, after the transfer you will be entitled to require PLL to issue such a policy. However, if PLL is not issuing such policies at that time, PLL may (subject to satisfying certain requirements) offer you the nearest equivalent policy it is then writing.

Direct debits payable to AWL will automatically become payable to PLL without you having to do anything and the Phoenix Life name will appear on your bank statements. If you receive income or withdrawal payments from AWL these will continue to be paid in the same way by PLL.

If you hold a Retirement Wealth Account Plan and have selected the 'Self Invested' option, your Direct Debit payable to AXA Trustee Services Limited (ATS) will automatically become payable to Phoenix Wealth Trustee Services Limited (PWTS), the new name for ATS. Any pension income payments you receive from ATS will instead be paid by PWTS.

4. WHAT SHOULD YOU DO NEXT

Please read this guide and the enclosed information, which we suggest you keep with your original policy documents. If anyone else has an interest in your policy, (for example a beneficiary, trustee in bankruptcy, executor, or personal representative or if your policy has been assigned), please make them aware of these proposals. Otherwise, you don't need to do anything unless you would like further information or feel you may be adversely affected by the Scheme.

If you require further information please read the enclosed leaflet 'Your Questions Answered'. You can also see the full Scheme document and full Independent Expert's report on our website at www.phoenixwealth.co.uk/FM17. If you have any more questions, or would like paper copies of these documents, please call our helpline on **0808 164 2266**.

The helpline is open from 9am to 5pm, Monday to Friday, up until the day before the High Court hearing. Calls from the UK are free but may be charged from the Channel Islands. If you are calling from outside the UK, please call **+44 (0)333 006 3523**. There may be a charge when dialling from overseas. We may monitor or record calls.

You may also write to:

Phoenix Wealth Response Team
PO Box 6968
BASINGSTOKE
RG24 4XH

Please quote the policy number(s) at the top of the letter accompanying this guide.

Alternatively, you may wish to speak to your authorised financial adviser.

If you believe you may be adversely affected by the Scheme, you can put your objections to the High Court in the following ways:

- By calling our helpline, or by writing to us at the address stated on this page, quoting reference FM17.
- By presenting your objection in person at the High Court hearing. You can also ask a representative to do this for you. Your representative does not need legal training and could be a friend or relative. If you wish to do this, please contact us quoting reference FM17, ideally before 31 October 2017. By informing us, we will be able to let you know if there are any changes to the date of the hearing. We may also be able to deal directly with any concerns you have.

If you call or write to us with an objection, we will reply to you and send your objection and our reply to the High Court, the Independent Expert and our regulators before the hearing at the High Court. You should raise any objection with us as soon as possible and preferably before 31 October 2017.

Please let anyone else with an interest in your policy (such as a nominated beneficiary) know about your proposals. If you are a Trustee of an AWL group pension scheme please make sure that all scheme members know about the transfer and are aware that full details are available on our website or may be obtained by calling the helpline. If you need support to do this please contact our helpline.

5. SUMMARY OF THE TERMS OF THE SCHEME

Transferring the business

If the High Court approves the Scheme, all policies in AWL will transfer to PLL on the transfer date. PLL will become the product provider and will be responsible for the transferred policies. PLL will take over AWL's rights and obligations in relation to the transferred policies and you will be entitled to the same rights against PLL in respect of your policy as you currently have against AWL.

Any contracts that AWL has with other organisations will also transfer so that they will be between PLL and that organisation.

The transfer date

If the High Court approves the Scheme, we expect the transfer date to be 8 December 2017. PLL and AWL can agree to defer the transfer, although, it should take place no later than 31 March 2018. Any change to the transfer date will be announced on our website www.phoenixwealth.co.uk/FM17. For accounting and financial reporting purposes, the Scheme will be treated as effective between AWL and PLL from 30 September 2017. However, this will not affect policyholders or their rights against AWL and PLL.

Unit-linked funds

The Scheme will not change the way the unit linked funds are managed or invested. PLL will create internal unit-linked funds corresponding to those currently in AWL and policyholders will be allocated the same value of units in those new PLL funds as they held in AWL's unit-linked funds immediately before the transfer. All of AWL's arrangements with external unit-linked fund providers will also transfer. The Scheme will not change the assets of the unit-linked funds, the charges which apply, the bases used to price units in the funds or the investment strategy of the funds. PLL will have the same rights in respect of the unit-linked funds which AWL had before the Scheme (including the right to close, merge or modify the investment objectives of

any unit-linked fund), as well as the same obligations to policyholders.

Policies with options for a new or replacement policy to be issued

If your policy has an option or other right which entitles you to take out a new, additional or replacement policy, you will be entitled to require PLL to issue such a policy after the transfer. However, the Scheme provides that if PLL is not issuing these exact policies at that time, PLL may (subject to satisfying certain requirements) offer you the nearest equivalent policy PLL is then writing. This does not affect your right to have the option, or other right, satisfied by PLL.

Excluded policies

If, for technical reasons, we are unable to transfer any policy or group of policies (for example, because the separate scheme in Guernsey has not yet been approved), we will treat these policies for all practical purposes in the same way as if they had transferred, by way of a reinsurance arrangement between AWL and PLL.

Data protection

Following the transfer, PLL will become the 'data controller' meaning that it will take over the rights and responsibilities in respect of personal data which is associated with the business of AWL and is subject to the Data Protection Act 1998.

Costs

None of the costs and expenses relating to the preparation of the Scheme or the High Court process will be met by policyholders.

The following is a summary of the report written by the Independent Expert, Oliver Gillespie, who is a senior actuary and partner at Milliman LLP. He is independent of companies involved in the Scheme and his appointment as the Independent Expert has been approved by the PRA and FCA. You can see the full version of the Independent Expert's report on our website, or you can get a paper copy by calling our helpline or writing to us at the address given in section 4.

6. SUMMARY OF THE INDEPENDENT EXPERT'S REPORT

My role and why I am writing this report

It is proposed to transfer all the business of AXA Wealth Limited ("AWL") into another regulated life insurance company in the Phoenix Group, Phoenix Life Limited ("Phoenix"). There is a reinsurance arrangement in place between AWL and Phoenix that replicates the economic effects of the proposed transfer called the Intra-Group Reinsurance ("IGR").

The transfer will be carried out in accordance with the Financial Services and Markets Act 2000 ("FSMA") and must be approved by the High Court of Justice of England and Wales (the "Court"). Such an application to the Court must be accompanied by a report on the terms of the transfer by an Independent Expert.

I have produced a report on this transfer ("my main report") and this is a summary of that report. I encourage anyone who is interested in the details behind this transfer, and in how I reached my conclusions, to read my main report and the other documents regarding this transfer that are available at the companies' websites.

My comments and conclusions apply to all policyholders of AWL and Phoenix irrespective of their place of residence and/or the jurisdiction within which the business is said to be carried on or in which their policy was issued. References to the "Scheme" in my main report should be taken to include the Guernsey Scheme.

My role as Independent Expert is to consider how policyholders are likely to be affected by the proposed transfer.

The effect of the transfer on the AWL policies

Introduction

As part of my work on the transfer I have considered the expected effects of the proposed transfer on the following:

- The financial strength available to provide security for the benefits under the AWL policies where financial strength is provided by:
 - The assets required to be held to support the AWL policies; and
 - The restrictions in place in respect of changing the amount or quality of these assets held.
- The profile of risks to which the AWL policies are exposed.
- The governance and management that apply to the AWL policies.
- The standards of administration and service that apply to the AWL policies.

The management of the AWL unit-linked funds.

The expectations of the AWL policyholders in respect of their benefits.

I summarise the key points of my analysis below.

The financial strength available to provide security for the AWL policies

I am satisfied that the transfer will not have a material adverse effect on the financial strength available to support the security of the benefits under the AWL policies because, after the transfer:

- The regulatory regime will be the same as currently and so the calculation of the technical provisions and capital requirements in respect of the AWL business will not change. Therefore, Phoenix will be required to hold a similar amount and quality of assets to back the technical provisions and capital requirements of the AWL policies after the transfer as AWL does currently.
- The business will be subject to the Phoenix Capital Policy (the “PCP”) and:
 - The PCP is not materially different to the capital policy that currently applies to the AWL policies;
 - The extra capital (above the regulatory requirements) that is required by the PCP provides a level of security for the AWL policies that is significantly in excess of that required by the regulations; and
 - Any changes to the PCP must be submitted in advance for non-objection by the PRA and approved by the Phoenix Board.
- Phoenix’s excess assets will be much larger than those currently in AWL and these will be available to provide security for the AWL policies in extreme circumstances.

The profile of risks to which the AWL policies are exposed

After the transfer, the AWL policies will be direct policies of Phoenix and therefore directly exposed to the risks within the Phoenix business. Phoenix is much larger than AWL and has written different types of business, to different profiles of policyholders, and so the transfer will change the risks to which the AWL policies are exposed. However, I am satisfied that this change will not have a material adverse effect on the security of the benefits because:

- The exposure to a wider range of risks results in a greater level of diversification in the risk exposures;
- The profile of risks of Phoenix after the transfer will be reflected in the capital that Phoenix is required to hold under the regulations and the PCP; and
- Due to the IGR, the AWL policies are already exposed to a significant degree to the risks of Phoenix.

The management and governance of the AWL policies

The AWL policies are currently managed by, and subject to the governance of, the AWL Board and, after the transfer, will be subject to the management and governance of the Phoenix Board. I am satisfied that the transfer will not have a material adverse effect on the standards of governance and management that apply to the AWL policies because:

- The members of the Boards of AWL and Phoenix are the same; and
- The Phoenix Board has considerable experience of writing business that is similar to the AWL business.

The management of the AWL unit-linked funds

As a result of the transfer, new unit-linked funds will be created in Phoenix corresponding to the existing AWL unit-linked funds.

These new unit-linked funds will receive the assets held by the corresponding funds in AWL immediately prior to the transfer, and the AWL policies will be allocated the same number and value of units as they had before the transfer. There will be no changes to how unit-linked funds operate including the charges, pricing practices and investment objectives, and no changes to the funds available under the AWL policies.

I am satisfied that the transfer will not have a material adverse effect on the unit-linked funds in which the AWL unit-linked policies invest.

The standards of administration and service that apply to the AWL policies

Phoenix has an ongoing project to integrate the AWL business (the “AXA integration project”) with the Phoenix business and as part of this the administration and servicing of the transferring AWL policies will change. The AXA integration project and the changes to the administration arrangements are not part of the transfer and these changes will take place whether or not the transfer goes ahead.

There is not expected to be any reduction in the standards of administration or service that policyholders experience or any change to premium collection dates and income and withdrawal payment dates.

I am satisfied that the transfer will not, of itself, lead to changes to the administration and servicing arrangements for AWL policies and that therefore the transfer will not have a material impact on the standards of administration and service applied to the transferring policies.

The expectations of AWL policyholders in respect of their benefits

The transfer will not change:

- The terms and conditions of the AWL policies (except that the policies will become policies of Phoenix);
- The charges that apply to the AWL policies; or
- The outsourcing and asset management arrangements for the AWL policies.

In addition, as discussed above, I am satisfied that the transfer will not have a material adverse effect on:

- The security of the AWL policies;
- The standards of administration, service, management and governance that apply to the AWL policies; or
- The unit-linked funds in which the AWL unit-linked policies invest.

Therefore, I am satisfied that the transfer will not have a material adverse effect on the reasonable benefit expectations of the AWL policyholders.

The effect of the transfer on the existing Phoenix policies

Introduction

As part of my work on the transfer I have considered the expected effects of the proposed transfer on the following:

- The financial strength available to provide security for the benefits under the Phoenix policies;
- The profile of risks to which the Phoenix policies are exposed; and
- The expectations of the Phoenix policyholders in respect of their benefits.

I summarise the key points of my analysis below.

The financial strength available to provide security for the Phoenix policies

The transfer will not change the regulatory regime or the PCP and therefore, in respect of the Phoenix policies, there will be no change to:

- The technical provisions and capital required by the regulations; or
- The extra capital (above the regulatory requirements) required under the PCP.

The excess assets in Phoenix and the percentage coverage of its required solvency capital are both expected to improve slightly as a result of the transfer.

The transfer will not affect the Phoenix ring-fenced funds or the possible support from those funds, or the external reinsurance arrangements of Phoenix (except the IGR).

I am satisfied that the transfer will not have a material adverse effect on the financial strength available to support the security of the benefits under the Phoenix policies.

The profile of risks to which the Phoenix business is exposed

I am satisfied that the transfer will not have a material adverse effect on the profile of risks to which the existing Phoenix policies are exposed because:

- Under the IGR, Phoenix is currently exposed to the majority of the risks of the transferring business; and
- The remainder of the risks associated with the AWL business are similar in nature to risks to which Phoenix is already exposed.

The expectations of the Phoenix policyholders in respect of their benefits

I am satisfied that the transfer will not have a material adverse effect on the reasonable benefit expectations of the Phoenix policyholders because:

- The transfer will not change:
 - The terms and conditions of the Phoenix policies;
 - The charges that apply to the Phoenix policies;
 - The principles and practices used in the management and exercise of discretion of the Phoenix with-profits, unit-linked and non-profit business;
 - The rights of the Phoenix policies to any future distributions from the inherited estates; or
 - The operation of Phoenix or any of its business funds.
- The transfer will have no effect on the administration, servicing, management or governance that apply to the Phoenix policies.

Conclusions

I am satisfied that the transfer will not have a material adverse effect on:

- The security of benefits under the transferring AWL policies and the existing Phoenix policies;
- The reasonable expectations of the transferring AWL policyholders and the existing Phoenix policyholders in respect of their benefits; or
- The standards of administration, service, management and governance that apply to the transferring AWL policies and the existing Phoenix policies.

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